



Arizona Transaction Taxes and Congressional State Tax Proposals: What Do We Do Now?

A Presentation by

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to the

**Arizona Transaction Privilege Tax
Simplification Task Force**

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Tax Reform, Revision, Simplification

- Senator Russell Long of Louisiana defined tax reform: "Tax reform means 'don't tax you, don't tax me, tax that fellow behind the tree.'"
- Since 2000 almost 40 states have conducted tax studies to guide change.

Recent: Kentucky, Georgia, South Carolina, Vermont

- "Reform" seems to include large-scale changes designed to further principles of adequacy, economic neutrality, equity, simplicity; revenue neutrality.
- Reform harder to achieve than revision-Commissions usually recommend reforms-Legislatures usually enact revisions
- Reform often creates winners and losers. Losers yell louder and longer.



Tax Reform, Revision, Simplification (2)

Line up your ducks:

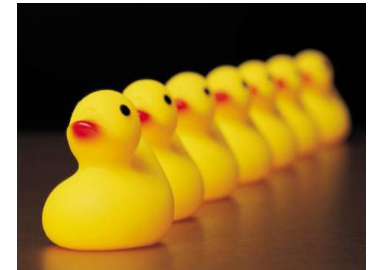
Good rationale – *why* we are doing this

Good analysis – *who* is affected and how

No policy surprises – tax reform is complex

Public information campaign

Persistence – tax change often takes time



Sales and Use Tax Basics

- 45 states plus DC impose sales and use taxes
- Over 7,000 local jurisdictions impose sales and use taxes...administered by the state except in Alabama, Colorado, Louisiana and**Arizona**
- Retailers required to collect and remit sales tax to states where retailer has physical presence
- Use tax is owed by consumer when retailer does not collect the sales tax

What Are the Numbers?

- State and local governments will fail to collect **\$6.9 billion** in sales tax in 2009 from electronic commerce only
- Projected loss for state and local governments is **\$23.3 billion**, including **\$11.4 billion** from remote electronic commerce, **\$6.8 billion** from business-to-consumer catalog sales, and **\$5 billion** from business-to-business catalog sales by 2012

State and Local Government Sales Tax Revenue Losses from Electronic Commerce, April 2009, Report by Professors Bill Fox, Don Bruce and LeAnn Luna, University of Tennessee

History re Streamlined Sales Tax Effort

1967: Supreme Court decision in *National Bellas Hess v. Dept. of Revenue, Illinois*

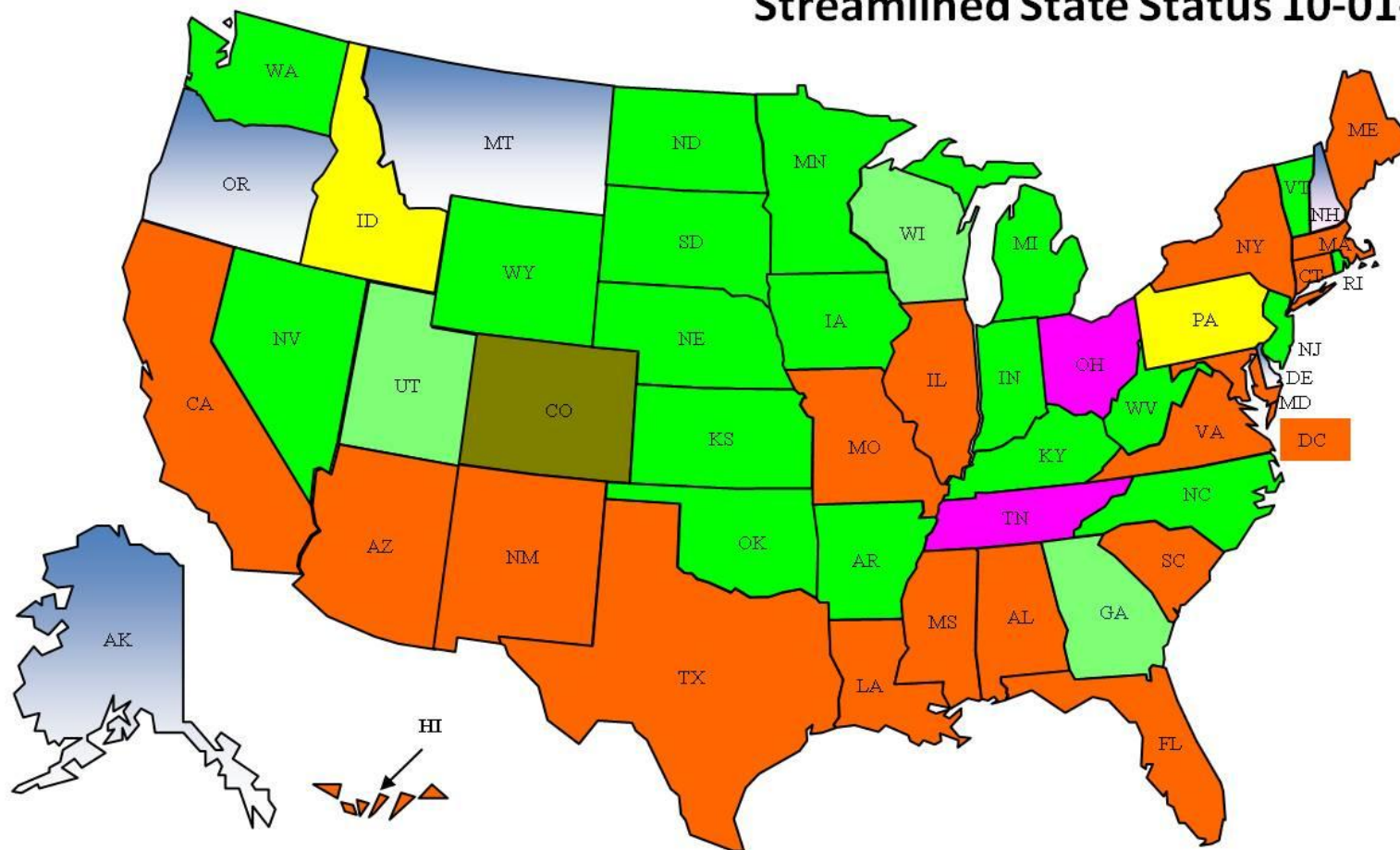
1992: Supreme Court decision in *Quill Corp. v. North Dakota*
“Congress is now free to decide whether, when, and to what extent the States may burden interstate mail order concerns with a duty to collect use taxes.”

1999: National Governors Association and National Conference of State Legislatures requested development of a system that is less complex, addresses disparity of treatment for merchants and addresses loss of revenue

2002: SSUTA process approved by representatives of the states

2005 : SSUTA became effective October 1

Streamlined State Status 10-01-12





Congress Responds: 3 Proposals and 2 Roadblocks

- **Main Street Fairness Act (H.R. 2701 - S. 1452)**
- **Marketplace Equity Act (H.R. 3179)**
- **Marketplace Fairness Act (S. 1832)**
- **S. Res. 309**
- **H. Res. 95**



Main Street Fairness Act (H.R. 2701/S. 1452)

- Senate Sponsors: Sens. Durbin (D-IL); Johnson (D-SD); Reed (D-RI) House Sponsors: Conyers (D-MI); Capuano (D-MA); Jackson (D-IL); Johnson (D-GA); Shuler (D-NC); Smith (D-WA); Welch (D-VT)
- Collection Authority under Streamlined Sales Tax Agreement membership
- 18 Minimum Simplifications including: State level administration of sales and use tax collections, Uniformity in the state and local tax bases, Uniformity of major tax base definitions., Central, electronic registration system for all member states, Simplification of state and local tax rates, Uniform sourcing rules for all taxable transactions.



Marketplace Equity Act (H.R. 3179)

- Sponsors: Reps. Womack (R-AR); Speier (D-CA), Diaz-Balart (R-FL); Duncan (R-TN); Maloney (D,-NY); McCollum (D-MN); Miller (D-NC); Poe (R-TX); Ross (R-FL); Welch (D-VT)
- Collection authority under *Streamlined Sales Tax Agreement (SSTA)* **or not**.
- States not using SSTA must meet certain minimum simplification standards including: establish a small seller exception, create a single return and remittance point, taxability and exemptions must be identical to those granted to non-remote sellers and uniform throughout the state and establishes a uniform rate

Marketplace Fairness Act

- Sponsors: Sens. Enzi (R-WY); Durbin (D-IL); and Alexander (R-TN). Co-sponsors: Sens. Johnson, (D-S.D); Boozman (R-AR); Reed (D-RI); Blunt (R-MO); Whitehouse (D-RI); Corker (R-TN); and Pryor (D-AR)
- Collection authority under *Streamlined Sales Tax Agreement* **or** “*Alternative Collection Authority*”
- States using Alternative Collection Authority must meet certain minimum simplification standards including: single return, uniform base, applies only to interstate sales



What Should Arizona Do?

- Simplify, Simplify, Simplify
- All of the federal proposals require simplification
- Making tax compliance simple increases efficiency in collection and increases voluntary compliance
- Taxpayers can rationalize non-compliance when it is complicated



Questions? Follow-up

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